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FINAL DRAFT

**ENHANCING THE SUSTAINABILITY OF DEVELOPMENT IMPACT:  
SUPPLEMENTAL GUIDANCE FOR A.I.D. MISSION AND BUREAU STAFF**

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**Enhancing the sustainability of development impact: supplemental guidance for A.I.D. mission and bureau staff**

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Drawing from recent A.I.D. project experiences, this paper presents guidelines on improving the sustainability of development assistance. Three key conditions are discussed: (1) long-term policy incentives, (2) institutions to mobilize continuing support, and (3) management systems to set priorities and adapt activities. Policy incentives relevant to sustainability include those which stimulate macroeconomic growth and provide appropriate incentives for change, allow diverse public finance, support the distributional goals of development activities, and preserve and enhance the natural environment. Institutions are more likely to encourage sustainability when they are developed through a collaborative process, encourage developing country responsibility for development activities, devolve responsibility to local units and the private sector, provide supporting linkages between these units and those with resources and support, and help project units explore and mobilize a variety of financial resources. Management systems should allow a balance of short- and long-term perspectives, adapt to and influence changing circumstances, and suit institutional capacities. Finally, guidelines for A.I.D. are presented, such as the need to develop a specific politic to support sustainability and to give more responsibility to developing country institutions. Includes 1 figure, 1 annex, 2 pages of references.

## EXECUTIVE SUMMARY

### SUSTAINABILITY GUIDANCE FOR A.I.D. MISSION AND BUREAU STAFF

There is widespread acknowledgement of the need to improve the sustainability of AID-financed development efforts, due to increased emphasis on impact and accountability and evidence of the frequently poor staying power of many investments following completion of donor funding. It is Agency policy that Sustainability, the ability of a development investment to yield an appropriate level of return on that investment, will be a criterion for both project and non-project assistance and for annual mission portfolio reviews and CNs. In 1988 the A/AID required that the Congressional Presentation discuss prospects for sustainability in the project fact sheets for all new proposed activities. AID experience shows that there are both policy and operational considerations for achieving sustainability and that the use of private sector mechanisms is a key factor in success.

Systematic exploration of this topic by the ANE Bureau began in 1987, which (together with working groups throughout the Agency) probed for concepts that make more effective use of private enterprise and creative finance to ensure the durability and long-term impact of our assistance. These activities have culminated in a set of draft sustainability guidelines designed to ensure that proper consideration is given to sustainability in all Bureau activities.

These guidelines focus on sustaining the returns on development efforts, in the sense of long-term investment on the part of the host country, with AID's action. They are not designed to deal specifically with environmental or agricultural sustainability issues, although the guidelines are applied to environment, agricultural and natural resource projects. Nor do these guidelines imply that all components of AID's assistance by design should be sustained. The determination of what components of an assistance effort should and should not be retained is an issue to be decided during design, and as the project evolves.

The guidelines may be used like other AID checklists and are keyed to the Agency's investment cycle: identification and selection, design, implementation, and evaluation. Throughout the cycle they stress the importance of host country investment, an appropriate mix between private and public sector roles and responsibilities, and strategic management. The guidelines focus on responsive, market-led outputs and benefits, cost effective delivery mechanisms, and recurrent financial and human resource flows. They are intended to help development officers organize the issues associated with sustainability and critically examine the long-term impact of AID investments, including policy and institutional requirements for long-term development impact.

The guidelines point out that attention to sustainability concerns must begin at the earliest state of project conceptualization. Incentives, including the host country's commitment to sustainability at the central and local level, are key. To assess sustainability incentives and disincentives, a preliminary stakeholder assessment should be undertaken and in-depth ones planned for the design and implementation phases. One of the first questions to be posed after analysis determines that a long-term problem needs addressing, is whether the investment can be sustained through the private sector. Even in projects within the public sector, building in the private sector as intermediaries or in an advisory capacity extends prospects for sustainability through time.

Throughout the design stage projects should be seen as long-term investments in the development of a sector or country rather than life-of-project contractual agreements. Design must deal with sustaining returns after external funding ceases. Important considerations include determining what benefits should be or should not be sustained following donor funding; who in the host country will gain and who will lose from sustained benefit flows; how a constituency for sustainability can be built during implementation; what management capacities, cost-recovery schemes, and incentives structures need to be developed by project end to ensure continued returns; and how maximum use can be made of market driven mechanisms.

During implementation, enhancing the prospects for sustainability may require trade-offs between short-term performance and long-term capacity to maintain investment benefits. Sustainability can be fostered by experimenting with various modes of service delivery (e.g., public/private mixes), phasing in the assumption of recurrent costs, and strategic planning with the goal of developing permanent mechanisms and public/private institutional partnerships that are responsive to market forces and changes in beneficiary needs, after donor funding ends. These and other policy issues relating to resources and incentives must be continuously addressed.

Evaluation must focus decision makers' attention on what needs to be done to increase the chances for sustaining benefits as the investment period terminates. This assessment should start several years before the external funding ends to provide input to extended planning for post investment activities. Experience suggests that sustainability considerations have the highest impact during the early project identification phase and as project phase down preparation begin.

The goal of these guidelines is to incorporate systematically sustainability concerns into Agency procedures and practice. To do this, the guidelines need to be useful -- and used -- in addressing development sustainability issues within new and ongoing activities. Feedback on their utility is welcome, and missions are urged to circulate the guidelines widely among staff, contractors, and host country personnel, and seek

opportunities to apply them to CDSS preparation, new starts, ongoing projects and programs, and evaluations. Mission reaction to this document should be sent to Alan Hurdus, APRE/DR/TR. The Bureau appreciates field interest and collaboration in addressing the important issue of development sustainability.

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## ENHANCING THE SUSTAINABILITY OF AID DEVELOPMENT IMPACT

### PREFACE

Improving people's lives in developing countries depends on the long-term flow of benefits from development investments (broadly defined), whether they are funded from national or external sources. Yet recent data show many of these investments have had only fleeting impact. Development assistance agencies, squeezed between shrinking resources and growing needs, are more anxious than ever to find ways to make enduring contributions to the societies they are charged with helping.

There is widespread acknowledgement of the need to improve the benefit sustainability of AID-financed development efforts, due to increased emphasis on impact and accountability and evidence of the frequently poor staying power of many investments following completion of project funding. It is Agency policy that sustainability, i.e., the ability of a development investment to yield an appropriate level of return on that investment, will be a criterion for both project and non-project assistance and for annual mission portfolio reviews and CNs. In 1988 the A/AID required that the Congressional Presentation discuss prospects for sustainability in the project fact sheets for all new proposed activities.

This guidance focuses on sustaining the returns on development efforts, in the sense of a long-term investment on the part of the host country with AID's assistance. The guidance is not designed to deal specifically with environmental or agricultural sustainability issues, although it is relevant for and should be applied to environment, agricultural, and natural resource projects. Nor does the guidance imply that all components of AID's assistance by design should be sustained. The determination of what components of an assistance effort should and should not be sustained is an issue to be determined during design. They are intended to help development officers organize the issues associated with benefit sustainability and critically examine the long-term impact of AID investments including the policy and institutional requirements for long-term development impact.

As a practical document, the guidance centers on project management (used in the broad sense to include program, sector, and other forms of assistance). The intent is to help development officers flag the obstacles to sustainability across a range of AID activities, paying close attention to ways to increase the payoff to those ventures over a long period.

## INTRODUCTION

This guidance results from applied research carried out through the Cooperative Agreement between the former Asia, Near East and Europe (ANE) Bureau and the University of Maryland International Development Management Center (IDMC). Starting in 1987, ANE and IDMC reviewed the social science literature to put together a model to explain why sustainability happens, tested the model in the field, analyzed a large number of completed projects, and drew lessons from that experience.

Results of this research show that there are two general preconditions for sustainability of benefit flows:

- o Commitment to long-term (beyond life of project) sustainable development impact, and
- o Commitment made operational through beneficiary and stakeholder incentives that support achieving this long-term impact.

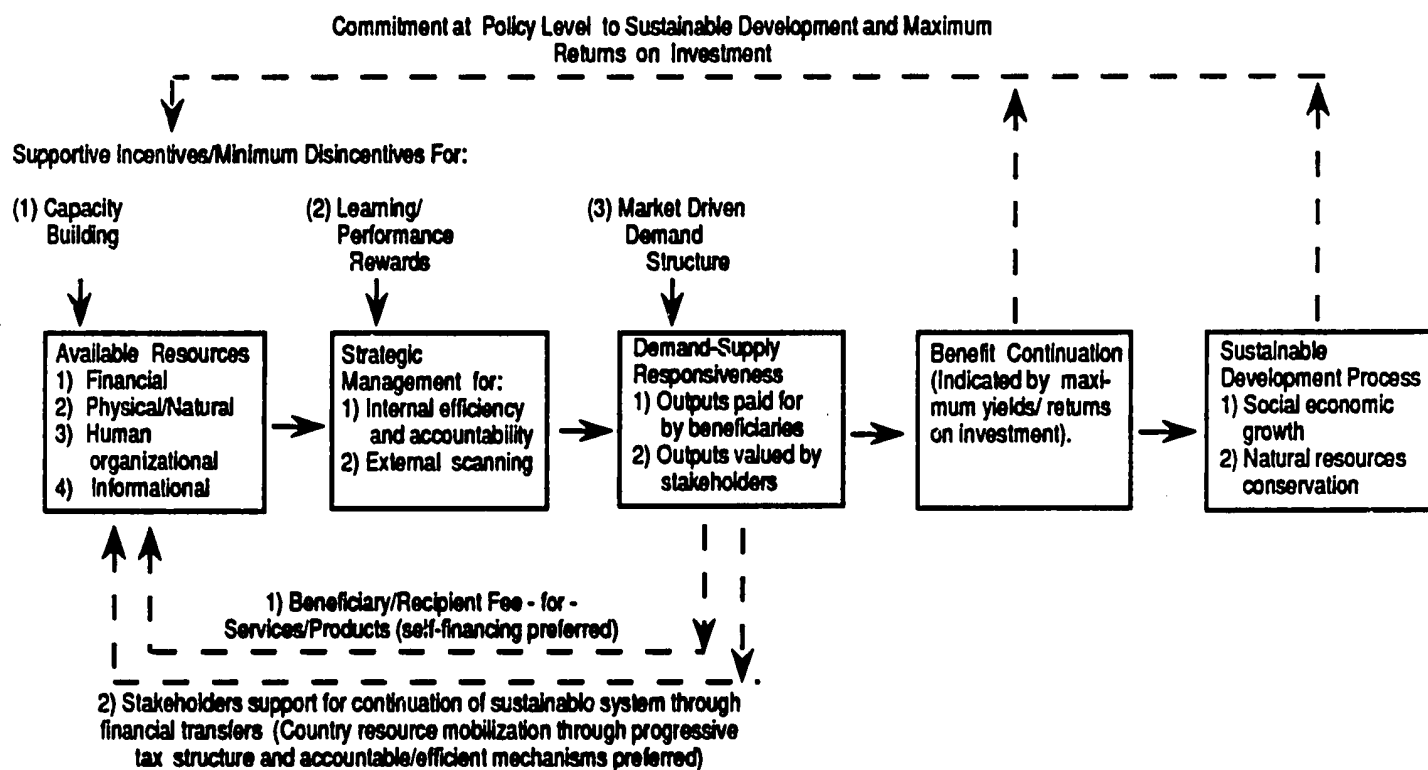
Commitment at the policy level to sustainable development and supportive incentives (or minimized disincentives) are required for capacity building, learning and performance rewards, and a market driven demand structure. From this, three principles have been shown to be necessary for sustained development impact:

- o Available resources for continued operations and reinvestment, including financial, informational, physical and environmental, and human and organizational resources.
- o Flexible mechanisms for continued production of goods and services that emphasize internal efficiency and accountability, and continuous scanning of the external environment.
- o Demand-supply responsiveness in which outputs are either paid for by beneficiaries or are valued by stakeholders so that value is translated into support for continuation.

It is important to note that value is decided by stakeholders, that is, all individuals or groups who can affect or be affected in significant ways by the investment. These stakeholders include the obvious clients or beneficiaries, who are supposed to use the goods or services in question, and other constituencies (civil servants, politicians, local elites, and so on) with a stake in this trade. All can pass judgment on whether the output is worth taking, and their material responses (purchases, voting, lobbying and

so on) determine if the organization, originally supported by the investment, gets more inputs so it can stay in business. (See following Chart: "Benefit Sustainability Model")

### **BENEFIT SUSTAINABILITY MODEL**



Most definitions of sustainability emphasize either inputs, institutions, or outputs, but field studies show that it takes all three to secure lasting results. For example, what is called "sustainable agriculture" often focuses on the input side, looking for non-polluting or land-saving methods of farming. Yet, even environmentally sound methods are not sustainable in the sense used here, if they are not also taught to farmers effectively (an institutional problem), or if farmers discern no advantage in them (an output problem).

Thus, sustainability is the ability of an investment to produce outputs that are sufficiently in demand by stakeholders so enough inputs are supplied to continue production at a steady or growing rate, leading to long-term positive outcomes. The definition underlines the dynamic makeup of sustainability; it is not an end-state but an ongoing process that balances inputs with outputs. The definition also suggests that sustainability is the means to get to other development goals, instead of



something to be pursued for its own sake. Clearly, not all outputs need to be produced indefinitely, the correct test being consumer or citizen demand. In this sense, sustainability is a byproduct for institutions that make things people want at an affordable cost.

The key to weeding out development efforts that fail to deliver value at reasonable cost is incentives. In the private sector, market competition provides them. The stimulus of profits and losses keeps attention fixed on the consumer and on holding down expenses -- companies that neglect these issues are forced out of business. In the public sector, political competition plays a parallel role. Government institutions are needed in development to produce collective goods (outputs that are consumed jointly or have large spillover effects), which do not attract private capital even when they are in demand. The problem for public agencies is that inefficiency or a dwindling clientele can be superficially "sustainable" because of subsidies and monopoly power. To substitute for the market's discipline, pluralistic politics are helpful to push the public sector in the right direction, to fulfill citizens' needs without being wasteful.

The sustainability guidelines presented below build on the research findings and are addressed to AID project officers who oversee the identification, design, implementation, or evaluation of development assistance, and want to assure that these projects (or programs) have some staying power after AID funding ceases. AID Project Assistance Handbook 3 already makes many suggestions that, while they were not formulated with sustainability expressly in mind, will promote it. Here, sustainability is viewed as an extra concern that can be added to standard investment criteria. The aim is to bring to the front the critical sustainability issues, many of which are familiar from other contexts, that mission staff face at every step in the project cycle.

Identification and selection of potential development investments: Of the stages in the project cycle, the greatest impact on sustainability can be made during identification and selection, where the project's basic outline is set. Making changes later is difficult. Development managers should understand the factors that promote sustainability so they can make good judgments at the start about what loans and grants to make.

Design of development activities: AID activities must be seen as investments in a country's future, not as legalistic agreements centered on the life of a project. During the design phase, thought must be given to what outputs need to be rendered after donor funding ends, and to how to lay the groundwork for their continued production.

**Implementation:** This is the phase in the project cycle where the pressure is strongest to meet contract deadlines to the harm of lasting impact. To make sustainability more likely, development officers need to look at the tradeoffs between short-term performance to meet planned targets, and long-term capacity to keep producing benefits. Actions taken to speed implementation right away seldom do much to maintain the yield on the investment in the years to come.

**Evaluation:** Assessing the chances for sustainability differs from assessing how well the project has met formal targets. It requires looking at the three sides of sustainability (adequate inputs, efficient institutions, and responsive outputs) to point decision makers toward what needs to be done to keep development benefits going as the investment period draws to a close. This may mean augmenting standard evaluations with other studies, such as market research, stakeholder analysis, or studies of the local private sector. Evaluation of a project's sustainability will be most effective if it does not wait until AID's official responsibility is over, but begins two or three years earlier, as part of planning for post-investment activities.

The guidance is organized into five sections. The Introduction provides an overview of the theoretical framework and background discussion of sustainability. The second section contains Guidelines, providing a series of factors that should be considered in analyzing and planning for sustainable project benefit flows. Following the Guidelines section, a brief Checklist is provided for AID staff to use in developing and managing sustainable investment projects. This checklist serves as an operational supplement to the Guidelines by indicating practical steps that AID Officers can take to factor sustainability considerations into development investments at various stages of the programming cycle. The Checklist draws on research results and the first hand sustainability experience of AID Mission and Bureau staff. Finally, the Reference section provides a reading list for further discussion of sustainability, and the Scope of Work provides a sample description of a consultancy on sustainability.

## **SUSTAINABILITY GUIDELINES**

Agency priorities encourage self-reliance, honest governance, independence, initiative, and entrepreneurial energy. AID supports investments aimed at improving the well-being of peoples and their nations by creating environments that enable individual effort and skill to be rewarded. The sustainability guidelines echo these priorities by highlighting the areas of (1) incentives, (2) responsiveness, (3) participation, (4) policy dialogue, (5) appropriate technology, (6) institutional reform, (7) marketing, (8) financial viability, (9) private sector preference, and (10) human resource development. Because sustainability depends on a set of interrelated factors, the guidelines overlap and need to be viewed in their entirety. Thus they are not presented in order of importance or as a linear sequence of steps. Nor should they be considered of equal gravity for every project or every project stage. As with most such guidance, development officers need to use judgment about which points pertain to their particular circumstances.

### **1. Assess Incentives and Build Commitment**

#### **o Examine the long-term incentive structure**

Study the political system and civil service to learn who makes the decisions that affect the required inputs. What motivates these decision makers and how can they be encouraged to back the activities after the end of donor funding and into the post-project return on investment phase?

#### **o Tap stakeholder support**

Assess the attitudes and interests of other stakeholders, such as the would-be clients, to plan ways to tap their support. Who in the host country will win, who will lose, over the long-term from the investment's outputs? Try to find ways to increase the number of winners, to create a "positive-sum" game.

#### **o Check political commitment**

Verify that "political will" exists--before starting the project--that key stakeholders have weighed the economic and political gains and costs, and really do want to proceed. Do they recognize that an important problem exists that can be resolved only through a long-term development investment? Involving national decision makers can be decisive. Stakeholders' commitment must build throughout the identification and design stages and reach a critical mass as implementation begins.

- o **Include interim targets and benchmarks**

Design performance targets and benchmarks to be achieved early on in project implementation, and the capacity to produce them. It is often a good idea to favor projects that have early benefits and do not rely mainly on benefits that will appear farther downstream. The effect of early results on sustainability is well documented, and early data enable "reality testing" of project hypotheses.

## 2. **Promote Strategic Planning for Enhancing Responsiveness**

- o **Incorporate strategy for post-investment impact**

Use strategic planning to set forth what the institution wants to do and how. Decide which outputs are to be sustained after donor funding ends. A lucid, agreed upon strategy can become part of the organization culture or personality and contribute to sustainability afterward. The most promising time to establish a strategy is early, before "bad habits" become ingrained.

- o **Promote an ongoing strategic planning process**

Strategic planning should carry on indefinitely, for it is important always to be thinking about changes in input and output markets, and about better ways to produce and deliver goods or services. Often the AID mission has sparked and guided strategic planning during implementation; evaluation offers an occasion to push host country actors to take charge of this task.

- o **Build flexibility and responsiveness**

The objective should be to encourage institutions (public or private) to stay open to, and respond flexibly to, new opportunities and threats. They should always be prepared to adjust their output, depending on how clients and other stakeholders react.

## 3. **Use Participation to Build Ownership and Support**

- o **Incorporate participatory planning and implementation workshops**

Strategic planning should be participatory. Implementation can be opened with a "project launch" workshop or workshops to bring together stakeholders to confer about the scheme's objectives and performance targets, the division of work, and the need to pay heed to sustainability. Such workshops are

opportunities to publicize the activities to be undertaken, to reaffirm and build the support of staff and clients, to develop realistic plans, and to show backing from national and local officials.

**o Reduce dependency through local resource use**

To reduce dependency, and thus improve the odds for sustainability, the project should as much as possible use indigenous resources. Among other things, this means employing local organizations and clients in suitable tasks. Authority can be delegated and jobs assigned to those who will gain from the project.

**o Use market mechanisms to ensure accountability**

While encouraging local responsibility to run and maintain the project, use the market, or a close substitute, as a guide. This has two facets. The first is to decentralize to bring output production "close to the customer," where it can react to demand swiftly and accurately. The second is to have beneficiaries oversee output flows to give feedback to producers and donors, fostering honesty and accountability. Choices here include: referenda, "town meetings," advisory groups, users' associations, direct ownership, and so on.

**4. Promote Policy Dialogue**

**o Assess policy support and distortions**

Figure out what host country policies and procedures will support the project over the long haul, and what ones will not. Are there any "killer" conditions in the environment that will do in the project?

**o Monitor and discuss related policy issues**

Raise policy issues about resources and incentives early in implementation and set up an ongoing discussion with host country elites over the project's life. Examples of important issues are: tax reform, laws to encourage the private sector (including local and informal enterprises), earmarking revenues for specific purposes, users' fee policies (e.g., returning revenues to the agencies that collect them, not to the central government account), clearer and more accurate budgets, and "sunshine" laws to force reviews of state programs and agencies. Introduce private sector and market orientations into public policy debate.

## **5. Use Appropriate Technology**

- o Employ technologies during the project investment phase that will be readily available after its completion**

In making choices about technology, pay careful attention to whether the methods and processes can be used and repaired with the resources likely to be at hand following the investment phase (also see the discussion of recurrent costs).

- o Stress learning and adaptation during the project**

Experiment with different mixes of inputs and ways of processing them. Temporary success may be had with "off-the-shelf" methods, but to carry that success forward requires experimenting and learning. Leeway should be allowed to try out new approaches while extra resources are available from AID. Trial and error is especially important when public and private institutions join to furnish services. Actors in the two sectors need to learn about each other to work together well. Some failures will occur, but workable ideas also will be discovered, and the early stumbling probably will be made up for by greater competence later.

## **6. Use the Project to Enhance Institutional Development and Reform**

- o Avoid special implementation units**

For sustainability, it is best to scale down outputs so special implementation units are not needed, or can readily be phased out. There is often a conflict here with the project, narrowly conceived. Special units may run better than established agencies, but they tend to lose that edge once donor inputs are no longer there.

- o Avoid overly ambitious projects that present additional sustainability requirements**

Technological choices are part of the larger question of how ambitious the project should be. Complex, multipartite projects should generally be avoided. Caution also should be exercised about schemes in remote regions where it is hard to get inputs.

- o **Build in incentives for institutional cooperation beyond the project investment phase**

Encourage stakeholders in the responsible institutions to keep working together while AID eases out of the project. Backsliding is easy at this point. The "halo" of donor attention fades, host country priorities may change, duties and staff may be reassigned, the extra resources that motivated and enabled institutions to cooperate are no longer available, and jealousies or turf battles may reemerge. Incentives must be provided and guarantees obtained for continued teamwork among institutions.

- o **Incorporate capacity building activities that will overcome long-term sustainability constraints**

Discover where the institutions implementing the investment have weaknesses that will block benefits later (e.g., management information systems, technical expertise, number of staff, salary and incentives). Build the capacity now that will be needed after the donor funds run out. This is helped when an institution is self-financing (see later advice on finances).

- o **Pay attention early on to long-term resource requirements**

Once implementation is underway, assist local officials to prepare for the mix and level of resources forecast for later. In the rush to spend funds when they are available, maintenance, renewal, and upgrading are often neglected (see later comments on recurrent costs).

## **7. Use Marketing to Raise Resources**

- o **Market the project's goods and services**

Use marketing techniques to win the support of clients and their political representatives, and thus to get the inputs needed. There are really only two ways to raise resources: either sell outputs and keep the revenue, or convince the government to supply funds. The first approach (direct sales) requires making outputs that clients value enough to pay for them. The second approach (government subvention) also requires high value outputs, or else clients will not press their legislators to continue funding the production of those outputs.

- o **Identify and create demand for goods and services**

Do market research on the short- and long-term demand for outputs, and where new groups of customers for outputs might be. Learn what role the public and private sectors play, and ought to play, in providing these goods and services. Consider how to promote or sell the outputs, and how to open new markets. The consumer may be "king," but do not assume he or she is all-wise. Education and advertising may be needed to create demand.

- o **Publicize success**

Make sure to publicize successes in contracting out to business enterprises, or getting local people to take part in the project. This will increase decision makers' confidence in the private sector, and will encourage citizens to voice wishes and contribute inputs.

## 8. **Ensure Financial Viability**

- o **Expand financial analysis to include post-project sustainability**

Concern for sustainability enlarges the financial analysis, to include whether the inputs will be there for upkeep and replacement, so that benefits will continue to flow after the investment period (more advice on recurrent costs follows). Do the long-term benefits justify investing more now, in light of opportunity costs and constraints? Find out what extra resources are needed to enhance long-term capacity to deliver benefits, including additional financial analysis during design to examine private sector alternatives.

- o **Rely on existing commercial providers, where possible**

Because the profit motive makes them sensitive to consumer demand and to production costs, commercial enterprises have stronger inducement than most public companies to be financially viable. Cost and risk are lower to improve an existing commercial organization than to create a new one, provided there is a competitive business climate in the country.

- o **Employ users' fees**

For non-commercial ventures, hopes for sustainability are best if they charge for their services and are free from dependence on general government funds. Users' fees can be an incentive payment, and they do not necessarily drive away clients, if the service is sensed by people as useful and worth the amount being



charged. As a rule services should be priced to reflect their cost, but where they are sold for less than cost, the subsidy should be plain to see to allow an informed public debate.

**o Identify long-term recurrent cost funding options**

Identify recurrent costs, and make sure they can be supported later. Does the budget makes realistic assumptions? This question is often overlooked by host countries, eager for the capital investment that comes with development projects, and by donors, under pressure to disburse funds. Yet, the flow of outputs over the long haul can easily be stopped by having too little money for mundane but important tasks like maintenance.

There are six major ways to settle the recurrent cost problem.

- Let the private sector produce the goods and services, and worry about how to shoulder the recurrent costs.
- Keep recurrent costs as low as possible. By the end of the project, the institution(s) should need foreign experts no longer, use technology that can be got locally or nationally, and have organized themselves appropriately for their mission.
- Sell the activity's goods and services. Ideally, sales or users' fees could more than cover all expenses, except as this principle must be adjusted for social fairness.
- Secure a realistic financial pledge from an appropriate domestic or (less desirable) external funding agency.
- Get contributions from other national sources, best from the local level. Clients can contribute labor, materials, and, preferably, funds. This strengthens their involvement and sense of "ownership."
- Phase in the assumption of recurrent costs by the host government or clients during the project life. Continued donor funding can be linked to this process, with annual amounts determined by progress to date on shifting the burden of operating costs.

- o **Address recurrent cost problems early on**

Develop the capacity to identify, manage, and pay for recurrent costs during implementation (do not assume it will happen automatically). Push project staff to undertake studies to find what their recurrent costs are by program or output (the line item budgets of most developing countries are useless for this). Attention to maintenance, renewal, replacement and upgrading should be built into review and planning.

- o **Revise recurrent cost plan during project evaluation**

Building on this capacity to identify and manage recurrent costs, use the evaluation phase as an opportunity to help host country institutions devise a recurrent cost plan. There should be sufficient time set aside for a smooth shift to post-investment operations. A sustainability review ideally should begin two to three years before external funding runs out; the minimum starting point is one year before it ends.

## 9. **Target Privatization**

- o **Analyze appropriate private and public sector roles**

Analyze which sector (public or private, profit or non-profit) furnishes or should be encouraged to furnish the outputs. All things being equal, the private sector (including small-scale and local enterprises) ought to be used as much as possible because it usually is more efficient and flexible over the long haul. Still, only government institutions can do many essential development tasks, such as enforcing contracts, setting quality standards, or collecting and broadcasting public information.

- o **Identify constraints to private sector involvement**

Another key determinant of business interest will be the laws and regulatory agencies (which may need to be reformed) that affect their operations. Private sector involvement is most straightforward if the goods and services can be sold at a profit. The incentive for a firm to enter a market is greatest for goods or services that are consumed by individuals (even services in heavy demand can lose money if they are consumed socially).

o **Promote public/private partnerships**

If the output cannot be broken down and sold to individuals profitably, private enterprise can still be contracted by the public sector to do some or all the manufacturing and marketing. Other "public-private partnerships" may be feasible, for instance donations from local business to support local public works or social services. When there is no choice other than to rely mostly on the public sector to produce the outputs in question, look for "market surrogates," such as the use of advisory boards of clients, to give guidance. Efforts should be made to shift to private sector operation over the course of the project, as appropriate to the products.

o **Specifically target privatization issues in evaluation**

At the evaluation stage, specific attention should be given to the links between the public and private sectors. Encourage the evaluation results to be used in policy analysis for further privatization.

10. **Use Training and Human Resource Development to Enhance Long-term Investment Impact**

o **Pay attention to permanent training requirements**

Develop training consistent with sustainability goals. Not only must new management and production techniques be learned by local inhabitants, so they do not have to lean on foreign experts, there also need to be permanent means for replacing, training and upgrading personnel. The point is to guarantee that the institution has people who can get resources and hold down costs in the future.

o **Encourage personnel policies consistent with long-term, market performance goals**

Monitor personnel practices to ensure the following. First, staff should be hired for permanent posts (if new ones need to be created, this should start early in implementation). They should be nationals to the extent possible. Second, staff skills should fit the tasks involved (e.g., producing services is different from managing contracts). Third, staff should be rewarded or penalized according to the yardstick of market performance (e.g., get feedback from clients, tie part of salaries to outcomes, give recognition for successes, and so forth).

The preceding guidelines should be seen as cumulative, building through the investment and post-investment periods. They can be applied to ongoing development assistance projects, and to AID's new thrust in policy toward market-led programs, though they need to be fine-tuned to fit any particular development activity. Sustainability demands continuous analysis. If, at any stage in the project cycle, the prospects for sustainability look poor, the officer in charge should stop, go back and redesign if necessary.

Much of the advice given above is a logical extension of generally accepted practice in development management. The innovation is for development officers to take a wider and longer point of view than is customary, paying greater attention to the context of the project, to the incentives provided to the project's staff and clients, and to the probable future train of events. They need to assure themselves that ample inputs will be available over the long-run, that efficient and effective institutions can be established, and that there is a sufficient and enduring demand for the outputs. This is a tall order, but is necessary if development investments are to yield more lasting returns.

## **SUSTAINABILITY CHECKLIST FOR AID OFFICERS**

The following checklist is designed to facilitate incorporation of the topics and issues raised in the guidelines by AID Officers during the identification, design, implementation, and evaluation of development investments.

### **Identification**

- Assess whether the stakeholders can be marketed to so that their interest in and support of the components which should be sustained continues after AID funding is terminated. Readjustment of the project focus may be needed if no methods for ensuring sustainable benefits can be identified.
- Determine the project components that can and should be privatized to increase the likelihood of sustainability. Goods and services that are private in nature, can be delivered cost-effectively, and for which there is a high demand, will have a better chance of continuing after AID's intervention without government subvention.
- Build in resources to address sustainability issues during project design. Addressing these issues may be achieved by having a sustainability person on the design team, or by providing for a team planning meeting in which sustainability topics are covered early on. Attached is a sample generic SOW for a sustainability consultant.

### **Design**

- Address sustainability by having one person on a design team, or by having the entire team responsible for looking at these issues. If a team, the competencies of team members may include: a) financial, recurrent cost expertise, b) institutional development with public/private experience, and c) an economist to look at the demand-market structures.
- Specify both what will and what will not be sustained in the project. Incorporate sustainability indicators in the outputs and purpose level of the design logical framework. This will provide for a clearer understanding during audits and evaluations.
- Make creative use of the host country contribution to enhance sustainability. For example, a portion of the contributions could be jointly set aside to fund activities that will be identified and initiated only towards the end of the

project, that will best ensure sustainability of the program. These activities may be identified in the "sustainability evaluation" mentioned above.

- Define additional AID resource inputs that will be needed to implement the tasks leading to continuing benefit flows. Pay attention to growth and diversification skills needed by the on-going organization, as well as special activities that may enhance multiplication and replication of benefit components.
- Include funds for a sustainability evaluation during the last two years of the project. Discretionary funds should be available during that period to deal with sustainability issues because this is a major window of opportunity for having impact on the long-term benefits.
- Develop strategies that increase the incentives directed at phasing out AID participation in the project, so that investment sustainability is a desired and worked-for outcome of the life-of-project activities. Often, continued lack of resources or on-going inability to function productively are rewarded with continued AID funding, a disincentive for implementing a sustainable development process.

### Implementation

- Include sustainability considerations in the implementation planning sessions, and in annual work plan development. Conduct a special session on sustainability issues and look specifically at activities contributing to lasting impact.
- Build sustainability considerations (and funding, if necessary) into contracts as part of the duties and responsibilities of the team or contractor.
- In Project Implementation Letters (PILs) with the Host Country Government, build in sustainability considerations for contracts and personnel scopes of work, including the use of host country contributions to support the sustainability activities.
- Be alert during annual monitoring reports for potential multiplier activities that could yield major returns on investment if pursued.
- Work with and train stakeholders throughout project implementation to increase their awareness of the issues, ownership of the sustainable components, and the value they place on the project benefits.

- Keep the Bureaus and others informed of sustainability progress. Use the sustainability indicators defined during project design for measuring and reporting progress. •

### Evaluation

- Look for potential multipliers of project success and other ways that the investment results may be replicated. For instance, a trade association project that has dealt only with cereal crops may be able to be replicated by interested trade association staff for other commodities if they are trained in appropriate start-up and marketing skills and managerial functions, and if the environment created in the course of the project is conducive to entrepreneurial initiatives.
- Identify incentives that non-beneficiary stakeholders need in order to maintain their interest and support in the activity once AID funding and support is no longer involved. Plan substitute incentives or awareness of alternative benefits to them (such as marketing continuing successes to interested and affected constituencies) to maintain their continued support.
- Aggressively market the successes of the project to private and public stakeholders responsible for continuing financial and political support, and provide clear explanations for failures.
- Incorporate sustainability issues into project evaluation SOWs. Attached is a generic sample SOW for a Sustainability Consultant with some suggestions tailored to evaluations.

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### **Sample Sustainability SOW**

This sample SOW is written for project design activities with some modifications suggested if applying to evaluation SOWs. Missions should modify other sections of the SOW such as Level of Effort, Background, etc., according to their needs.

The issues of sustainability could be addressed by one person on a team (the SOW for project design is an example), or by an entire team. If a team, the competencies that should be sought, following the sustainability guidelines model, include: a) financial, recurrent cost specialist, b) institutional development specialist with public/private experience, and c) a political economist to look at the demand-market structures.

### **Generic SOW for Sustainability Consultancy**

#### **I. Objective**

The objective of this consultancy for the XXX project in USAID/YYY is to assist the design team and the Mission to incorporate issues of benefit sustainability and activities leading to sustainable benefit flows into the new project design. The concepts found in the AID Sustainability Guidance document will be used to provide input to the design of the project. (Modify wording for evaluation efforts.)

#### **II. Background**

(This section will describe project identification background and issues, or, for evaluations, activities to date, and briefly outline the purpose of the project.)

#### **III. Tasks**

##### **Project Design Tasks**

1. The consultant will work with the team, appropriate Host Country agents and the Mission to use the conceptual framework of sustainability found in the Guidelines and identify those components of the project that should continue after AID's contribution to the project ends.
2. The consultant will assist the team in designing implementation strategies to ensure that the project components identified above will be sustainable beyond the A.I.D. life-of-project. The design team, using the special expertise of the Sustainability consultant, will develop plans and

strategies spanning the life of the project and specific to project phases (i.e., early implementation, mid-term review, 18-24 months prior to project termination, and final evaluation) or consistent with project activity progression that will lead to continued benefit flows. The consultant will:

- a. Review relevant background material on country YYY and available project identification data;
  - b. Collect secondary materials, conduct interviews with relevant GOYYY, USAID and other individuals, and work with the team to permit effective application of the sustainability conceptual framework to the project design.
3. The consultant will identify incentive structure positioning and policy reforms that need to occur to improve the project environment leading to benefit sustainability. Options will be considered in areas such as recurrent cost financing mechanisms, private sector participation and service delivery, the role of the public sector, development of management and marketing capacities, multiplication strategies, and so on. The consultant will develop a draft timeline of activities and targets, and include timing and funding requirements for a Sustainability Assessment to be held 18-24 months prior to the termination of the project. The consultant will work with the team, Host country agents and Mission to identify the factors with the highest probability of success and incorporate them into the project design.
4. Through collaborative design work and consulting with appropriate individuals, the consultant will begin to build a constituency for creating sustainable project components, and will, as appropriate, work with the Mission and Host Country officials to develop mutual understanding and commitment to the principles of sustainability. As identified by the Mission, the consultant will assist in creating agreements among the stakeholders and Host Country officials on specific public/private sector activity mixes, Host Country contribution utilization for sustainability, policy reform issues, and other topics of benefit to early incorporation in the project design.
5. The consultant will work under the overall direction of the Team Leader for the project design team.

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## **Evaluation Tasks**

(This activity should occur between 18-24 months prior to the end of the project so that adjustments can be made and strategies implemented to ensure sustainability.)

1. The assessment team will work with project staff, appropriate Host Country agents and the Mission, and, using the Sustainability Guidelines conceptual framework, will investigate the progress-to-date in the project. Using the project's logical framework, the various components which were identified as targets for sustainability will be assessed, successes noted and studied for factors leading to success, and problem areas identified and recommendations made. The evaluation team will:
  - a) Review relevant background material on country YYY and available project documentation;
  - b) Collect secondary materials, conduct interviews with relevant GOYYY, project and USAID individuals, to facilitate knowledgeable application of the sustainability framework to the project evaluation; and
  - c) Using the indicators of sustainability from the logframe, investigate the project's progress in meeting these targets, and make recommendations leading to their attainment.
2. The team will also review the project for unforeseen components or activities which may be conducive to sustainability or need to be made sustainable after A.I.D. terminates its intervention. Issues such as additional funding, special skills needs and stakeholder analyses should be addressed so that activities can be developed to ensure the components continue.
3. The assessment team, in collaboration with the project staff, USAID Mission and host country agents will review the project for possible multiplier opportunities. Components which have been implemented successfully and would be usefully replicated in other geographic areas, or in other sectors, etc., will be identified and recommendations made for implementing supporting activities.
4. If barriers to sustainability are identified, the evaluation team will develop strategies to overcome them and make recommendations to AID regarding the achievement of project objectives.

5. The team will work with the project staff and host country agents to identify changes that will impact on the sustainability of the activities as AID terminates its involvement, and develop strategies to assist in a smooth transition. Extremely important are considerations such as incentive structures to GOYYY and other stakeholders for continued support and policy environments which continue to be conducive to the activities, changes in recurrent cost financing mechanisms, and the ability of the implementing organization to maintain its responsiveness to its market and constituency as it undergoes changes. Special activities may need to be programmed such as training in management, marketing and public relations, or others that will ensure that the impact of AID's withdrawal will be minimal.
6. The Evaluation team will work under the overall direction of the USAID Project Officer.

#### IV. Special Skills

The contractor must have experience in the design (evaluation) of (sector) projects, be familiar with the Benefit Sustainability Guidelines, and be able to apply the concepts. Specifically, skills in financial/recurrent cost expertise, strategic management/institutional development, and demand/market structures and responsiveness are required. Experience in Country YYY or Region ZZZ is required. The contractor must speak language YYY at a minimum FSI 3 level.

#### V. Reporting Requirements and Deliverables (modify for Evaluation)

1. As part of the overall project design report, discussion of investment sustainability issues will be incorporated in the text as relevant components are addressed.
2. A separate section on sustainability will be included, addressing sustainability issues:
  - a. in the overall context of the project, and
  - b. specific to project components.
3. A draft of the final project design will be due to the Mission 2 weeks prior to the end of the contract. The final project design report is due in-country prior to the team's departure.

#### VI. Level of Effort: 4 to 6 weeks, of which a minimum of 5 is in the field.

- 24'